

Calendar No. 413

89TH CONGRESS }
1st Session }

SENATE }

REPORT
No. 428

AMEND SECTION 502 OF THE MERCHANT MARINE ACT, 1936, RELATING TO CONSTRUCTION DIFFERENTIAL SUBSIDIES

JULY 9 (legislative day JULY 8), 1965—Ordered to be printed

Mr. BARTLETT, from the Committee on Commerce, submitted the
following

REPORT

together with

SUPPLEMENTAL AND INDIVIDUAL VIEWS

[To accompany H.R. 4346]

The Committee on Commerce, to whom was referred the bill (H.R. 4346) to amend section 502 of the Merchant Marine Act, 1936, relating to construction differential subsidies, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF THE BILL

The purpose of H.R. 4346 is to extend for 1 year the present authority of the Secretary of Commerce to make construction-differential subsidy payments of a maximum of 55 percent on new merchant vessel construction and 60 percent on reconstruction or reconditioning of passenger ships.

LEGISLATIVE BACKGROUND

The bill passed the House of Representatives on April 26, 1965. Hearings were held by the Senate Subcommittee on Merchant Marine and Fisheries on May 27, 1965. At the public hearing, the legislation was supported by testimony from the Maritime Administrator, the Department of Commerce, the Committee of American Steamship Lines, and the Shipbuilders Council of America. No opposition was expressed.

GENERAL DISCUSSION

The Merchant Marine Act, 1936, as amended, provides that any citizen of the United States may apply for a construction-differential subsidy from the Secretary of Commerce to build a new merchant

vessel for use in the foreign commerce of the United States. If the Secretary of Commerce determines that the applicant meets all of the statutory requirements imposed, including the determination that the new vessel will contribute to the foreign commerce of the United States, competitive bids are secured from interested shipyards in the United States. The construction contract is awarded by the Government to the lowest responsible bidder. Before obtaining the vessel built with Government subsidy dollars, the vessel operator must agree to leave the ship in the foreign trade of the United States for 25 years, not to sell the vessel without approval from the Secretary, and to make the ship available to the Government for requisition in case of national emergency at depreciated book value.

The basic 1936 act provided that the differential subsidy for vessel construction was not to exceed 50 percent of the cost of the vessel. In 1960, this ceiling was exceeded on several contracts, and Congress authorized a 55-percent ceiling for new vessel construction for a 2-year period ending July 7, 1962. This authority to pay up to 55 percent differential subsidy on new vessel construction was extended to June 30, 1964, and last year was extended to June 30 of this year. The authority has now expired, but the enactment of this legislation will permit a continuation of the present vessel replacement program without any interruption.

At the Senate hearings on the legislation, the Maritime Administrator testified that the differential between shipbuilding costs in the United States and foreign shipyards continues to be in excess of 50 percent of the United States' costs. The Maritime Administrator placed in the record a list of vessel construction contracts entered into by the Department of Commerce since June 1963, which reflected the following information:

Operator	Contract date	Construction differential subsidy rate (percent)
Grace Line, Inc. (4 ships).....	June 14, 1963	54.0
American President Lines, Ltd. (3 ships).....	June 27, 1963	54.5
Gulf & South American Steamship Co., Inc. (3 ships).....	Aug. 2, 1963	53.9
Lykes Bros. Steamship Co., Inc. (4 ships).....	Nov. 21, 1963	55.0
Grace Line, Inc. (2 ships).....	Jan. 10, 1964	52.5
Prudential Lines, Inc. (2 ships).....	Apr. 24, 1964	53.4
Lykes Bros. Steamship Co., Inc. (4 ships).....	June 26, 1964	53.9
United States Lines Co. (5 ships).....	Dec. 9, 1964	52.8
American President Lines, Ltd. (4 ships).....	Dec. 31, 1964	54.0

The Maritime Administrator stated that there was no basis for anticipating that the difference will not continue for at least 1 additional year, but assured the committee that the program would be administered as economically as possible.

VESSEL CONSTRUCTION PRICES

The construction-differential percentage reflects the difference in vessel construction prices in the United States and in foreign shipyards. The committee is concerned with this differential but is also mindful of the overall price of vessel construction and overall cost of the program to the Government. Shipbuilding prices in the United States and throughout the world are lower today than 8 years ago. The relatively

high ship building costs of 1957-58 were reduced over 20 percent by 1962. Since 1962 prices at home and abroad have begun to increase slightly. This trend has continued until shipbuilding prices today are only slightly below the 1957-58 level. The committee hopes that studies recently undertaken by the shipbuilding industry and labor will indicate where additional savings and reduced costs can be made.

COST OF LEGISLATION

The cost of the legislation during the next year cannot be accurately estimated because payments will depend on future vessel construction costs in the United States and abroad and the number and type of vessels to be approved for construction under subsidy.

AGENCY COMMENTS

The following are departmental reports and comments from various agencies:

GENERAL COUNSEL OF THE DEPARTMENT OF COMMERCE,
Washington, D.C., May 24, 1965.

Hon. WARREN G. MAGNUSON,
Chairman, Senate Commerce Committee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to your request for the views of this Department with respect to H.R. 4346, an act to amend section 502 of the Merchant Marine Act, 1936, relating to construction-differential subsidies.

The act would extend to June 30, 1966, the 55-percent maximum construction-differential subsidy rate for the construction or reconstruction of ships, except for the reconstruction of certain passenger ships for which the 60-percent maximum rate would be continued to that date.

We recommend favorable consideration of the act.

A review of the construction-differential subsidy contracts entered into since June 1963, shows that the differential between shipbuilding costs in U.S. and foreign shipyards continues to be in excess of 50 percent of U.S. costs. It is appropriate, therefore, that we should continue to have authority to pay construction-differential subsidies for such construction up to 55 percent of U.S. costs, as provided in the act.

The contracts entered into since June 1963 (with construction-differential subsidy rates as shown) are as follows:

Operator	Contract date	Construction differential subsidy rate (percent)
Grace Line, Inc. (4 ships).....	June 14, 1963	54.0
American President Lines, Ltd. (3 ships).....	June 27, 1963	54.5
Gulf & South American Steamship Co., Inc. (3 ships).....	Aug. 2, 1963	53.9
Lykes Bros. Steamship Co., Inc. (4 ships).....	Nov. 21, 1963	55.0
Grace Line, Inc. (2 ships).....	Jan. 10, 1964	52.5
Prudential Lines, Inc. (2 ships).....	Apr. 24, 1964	53.4
Lykes Bros. Steamship Co., Inc. (4 ships).....	June 26, 1964	53.9
United States Lines Co. (5 ships).....	Dec. 9, 1964	52.8
American President Lines, Ltd. (4 ships).....	Dec. 31, 1964	54.0

We cannot anticipate at this time that the difference between United States and foreign shipbuilding costs will not continue to exceed 50 percent of U.S. costs during the coming fiscal year. We, of course, hope that we will not need to use the full extent of the authority that would be granted by H.R. 4346.

We have the obligation to review, constantly, our administration of the construction-differential subsidy program and to endeavor to administer this program as economically and efficiently as possible in accordance with the governing statutes. This we will continue to do.

The Bureau of the Budget advises there is no objection to the submission of this report from the standpoint of the administration's program.

Sincerely,

ROBERT E. GILES, *General Counsel.*

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., May 6, 1965.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
U.S. Senate.*

DEAR MR. CHAIRMAN This is in reply to your letter of April 29, 1965, requesting our views on H.R. 4346, 89th Congress, 1st session, a bill to amend section 502 of the Merchant Marine Act, 1936, relating to construction differential subsidies. The bill would postpone from June 30, 1965, to June 30, 1966, the reduction of the present maximum 55 percent subsidy rate to 50 percent.

We have no special information or knowledge concerning the proposed legislation and, therefore, we make no recommendation with respect to its enactment.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

FEDERAL MARITIME COMMISSION,
Washington, D.C., May 5, 1965.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
U.S. Senate,
Washington, D.C.*

DEAR MR. CHAIRMAN: This is in reply to your request of April 29, 1965, for the views of the Federal Maritime Commission with respect to H.R. 4346, a bill to amend section 502 of the Merchant Marine Act, 1936, relating to construction differential subsidies.

Inasmuch as the bill does not affect the responsibilities or jurisdiction of the Commission, we express no views as to its enactment.

The Bureau of the Budget has advised that there would be no objection to the submission of this letter from the standpoint of the administration's program.

Sincerely yours,

JOHN HARLEE,
Rear Admiral, U.S. Navy (Retired), Chairman.

U.S. DEPARTMENT OF JUSTICE,
OFFICE OF THE DEPUTY ATTORNEY GENERAL,
Washington, D.C., June 1, 1965.

Hon. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR SENATOR: This is in response to your request for the views of the Department of Justice on H.R. 4346, a bill to amend section 502 of the Merchant Marine Act, 1936, relating to construction differential subsidies.

This bill has been examined, but since its subject matter does not directly affect the activities of the Department of Justice we would prefer not to offer any comment concerning it.

Sincerely,

RAMSEY CLARK, *Deputy Attorney General.*

DEPARTMENT OF THE NAVY,
OFFICE OF THE SECRETARY,
Washington, D.C., May 28, 1965.

Hon. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.

MY DEAR MR. CHAIRMAN: Your request for comment on H.R. 4346, an act to amend section 502 of the Merchant Marine Act, 1936, relating to construction differential subsidies, has been assigned to this Department by the Secretary of Defense for the preparation of a report thereon expressing the views of the Department of Defense.

H.R. 4346 would extend for 1 year the increased construction differential of 55 percent, authorized by the Merchant Marine Act, 1936, as amended. Without this extension, the limitation would revert to 50 percent after June 30, 1965.

The Department of the Navy, on behalf of the Department of Defense, defers to the views of the Department of Commerce as the executive agency having the greatest interest in H.R. 4346.

This report has been coordinated within the Department of Defense in accordance with procedures prescribed by the Secretary of Defense.

The Bureau of the Budget advises that, from the standpoint of the administration's program, there is no objection to the presentation of this report on H.R. 4346 for the consideration of the committee.

Sincerely yours,

C. R. KEAR, Jr.,
Captain, U.S. Navy, Deputy Chief
(For the Secretary of the Navy).

CONSTRUCTION DIFFERENTIAL SUBSIDIES

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF EMERGENCY PLANNING,
Washington, D.C., June 8, 1965.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request for a report on H.R. 4346, 89th Congress, a bill to amend section 502 of the Merchant Marine Act, 1936, relating to construction differential subsidies.

Subsection (b) of section 502 of the Merchant Marine Act of 1936 (46 U.S.C. 1152(b)) presently authorizes a 55- to 60-percent construction differential subsidy in favor of shipbuilders who bid on the construction, reconstruction or reconditioning of vessels under a Government subsidy contract. However, the subsection further provides that after June 30, 1965, the differential will be reduced to a maximum of 50 percent. The proposed bill would delay the effective date of the reduction an additional year to June 30, 1966.

The Office of Emergency Planning favors a realistic construction differential subsidy in order to maintain an adequate shipbuilding capacity and a strong merchant fleet in the event of an emergency. However, as to specific percentage differentials, we defer to the views of the Secretary of Commerce who is responsible for the award of ship construction subsidy contracts.

From the standpoint of the administration's program, the Bureau of the Budget advises that it has no objection to the submission of this report.

Sincerely,

BUFORD ELLINGTON, *Director.*

CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, and existing law in which no change is proposed is shown in roman):

SECTION 502(b) MERCHANT MARINE ACT, 1936,

(46 U.S.C. 1152(b))

* * * * *

(b) The amount of the reduction in selling price which is herein termed "construction differential subsidy" may equal, but not exceed, the excess of the bid of the shipbuilder constructing the proposed vessel (excluding the cost of any features incorporated in the vessel for national defense uses, which shall be paid by the Secretary in addition to the subsidy), over the fair and reasonable estimate of cost, as determined by the Secretary, of the construction of the proposed vessel if it were constructed under similar plans and specifications (excluding national defense features as above provided) in a foreign shipbuilding center which is deemed by the Secretary to furnish a fair and representative example for the determination of the estimated foreign cost of construction of vessels of the type proposed to be constructed. The construction differential approved and paid

by the Secretary shall not exceed 55 per centum of the construction cost of the vessel, except that in the case of reconstruction or reconditioning of a passenger vessel having the tonnage, speed, passenger accommodations and other characteristics set forth in section 503 of this Act, the construction differential approved and paid shall not exceed 60 per centum of the reconstruction or reconditioning cost (excluding the cost of national defense features as above provided): *Provided, however,* That after **[June 30, 1965,]** *June 30, 1966,* the construction differential approved by the Secretary shall not exceed in the case of the construction, reconstruction or reconditioning of any vessel, 50 per centum of such cost. When the Secretary finds that the construction differential in any case exceeds the foregoing applicable percentage of such cost, the Secretary may negotiate and contract on behalf of the applicant to construct, reconstruct, or recondition such vessel in a domestic shipyard at a cost which will reduce the construction differential to such applicable percentage or less. In the event that the Secretary has reason to believe that the bidding in any instance is collusive, he shall report all of the evidence on which he acted (1) to the Attorney General of the United States, and (2) to the President of the Senate and to the Speaker of the House of Representatives if the Congress shall be in session or if the Congress shall not be in session, then to the Secretary of the Senate and Clerk of the House, respectively.

SUPPLEMENTAL VIEWS OF SENATORS DOMINICK AND PROUTY

We do not not oppose the enactment of the bill, H.R. 4346, which extends for another year the 55-percent maximum subsidy rate for the construction of merchant ships. But there should be no misunderstanding about its significance. In plain terms, it means that the administration and the Congress are postponing at least for 1 more year the hard, critical decisions which must be made with respect to the American merchant marine. The bill is another effort to hide the gaping cracks and crevices in our maritime policies behind an easy, one-shot legislative palliative.

The problems of the American merchant marine are serious, chronic, and difficult. The United States is the world's largest trading nation. We supply 15 percent of all the world's exports and imports, but we now rely on the ships of other nations to carry over 90 percent of our trade. Since 1960, the number of active ships in the American merchant marine has declined by 3 percent, and the number of ships built in U.S. shipyards has dropped 30 percent. The percentage of our commerce carried in U.S.-flag ships has also declined by 30 percent since 1960.

American-flag ships today carry less than 9 percent of our commerce. Norwegian ships, as one example, carry twice as much of our commerce as do our own ships. Operating subsidies have risen from \$47 million in 1950 to over \$200 million a year today, while the percentage of our trade carried in U.S.-flag ships has dropped from about 50 percent to less than 9 percent.

This year, Federal subsidies for the merchant marine, including the construction differential subsidy program dealt with by this bill, amount to more than \$380 million a year—more than one-third of a billion dollars a year to subsidize the transportation of a puny percentage of our ocean commerce.

Let us not be deluded. A merchant marine that carries only 9 percent of our commerce is not adequate for the needs of our commerce or for the requirements of our national defense.

The problems, so far, have been met only by studied inactivity. The committee and the Congress have properly waited for the executive branch to submit oft promised recommendations for the merchant marine. The wait has been fruitless.

In a special transportation message to the Congress in April 1962, President Kennedy outlined the extensive steps underway for a study of the problems of the American merchant marine and declared he would "send to the Congress appropriate specific recommendations concerning our maritime program." No such recommendations have yet been received, more than 3 years later. President Johnson repeated this theme in his state of the Union message early this year. "I will recommend a new policy for our merchant marine," he declared. To date, he has backed up his words by calling for more studies and

naming a new advisory committee, but not by submitting any recommendations to the Congress.

The public, the merchant marine industry, and the Congress are entitled to something more than new studies and promises of future action. Unless effective moves are made soon it may be too late.

PETER H. DOMINICK.
WINSTON L. PROUTY.

The current subsidy program of cost reimbursement provided by the Merchant Marine Act of 1920 in order to maintain an efficient and competitive program. However, since that time the program for competitive activities has cost the U.S. Treasury over \$710 million for the construction and reconstruction of ships.

I would like to submit for the careful consideration of the committee the following figures showing the heavy amounts which have been paid to the merchant marine industry under the construction and reconstruction differential subsidy program:

Period	Construction differential subsidy	Reconstruction differential subsidy
1920-1929	\$1,812,000,000	\$1,812,000,000
1930-1939	2,250,000,000	2,250,000,000
1940-1949	2,250,000,000	2,250,000,000
1950-1959	2,250,000,000	2,250,000,000
1960-1969	2,250,000,000	2,250,000,000
1970-1979	2,250,000,000	2,250,000,000
1980-1989	2,250,000,000	2,250,000,000
1990-1999	2,250,000,000	2,250,000,000
2000-2009	2,250,000,000	2,250,000,000
2010-2019	2,250,000,000	2,250,000,000
2020-2029	2,250,000,000	2,250,000,000
2030-2039	2,250,000,000	2,250,000,000
2040-2049	2,250,000,000	2,250,000,000
2050-2059	2,250,000,000	2,250,000,000
2060-2069	2,250,000,000	2,250,000,000
2070-2079	2,250,000,000	2,250,000,000
2080-2089	2,250,000,000	2,250,000,000
2090-2099	2,250,000,000	2,250,000,000
2100-2109	2,250,000,000	2,250,000,000
2110-2119	2,250,000,000	2,250,000,000
2120-2129	2,250,000,000	2,250,000,000
2130-2139	2,250,000,000	2,250,000,000
2140-2149	2,250,000,000	2,250,000,000
2150-2159	2,250,000,000	2,250,000,000
2160-2169	2,250,000,000	2,250,000,000
2170-2179	2,250,000,000	2,250,000,000
2180-2189	2,250,000,000	2,250,000,000
2190-2199	2,250,000,000	2,250,000,000
2200-2209	2,250,000,000	2,250,000,000
2210-2219	2,250,000,000	2,250,000,000
2220-2229	2,250,000,000	2,250,000,000
2230-2239	2,250,000,000	2,250,000,000
2240-2249	2,250,000,000	2,250,000,000
2250-2259	2,250,000,000	2,250,000,000
2260-2269	2,250,000,000	2,250,000,000
2270-2279	2,250,000,000	2,250,000,000
2280-2289	2,250,000,000	2,250,000,000
2290-2299	2,250,000,000	2,250,000,000
2300-2309	2,250,000,000	2,250,000,000
2310-2319	2,250,000,000	2,250,000,000
2320-2329	2,250,000,000	2,250,000,000
2330-2339	2,250,000,000	2,250,000,000
2340-2349	2,250,000,000	2,250,000,000
2350-2359	2,250,000,000	2,250,000,000
2360-2369	2,250,000,000	2,250,000,000
2370-2379	2,250,000,000	2,250,000,000
2380-2389	2,250,000,000	2,250,000,000
2390-2399	2,250,000,000	2,250,000,000
2400-2409	2,250,000,000	2,250,000,000
2410-2419	2,250,000,000	2,250,000,000
2420-2429	2,250,000,000	2,250,000,000
2430-2439	2,250,000,000	2,250,000,000
2440-2449	2,250,000,000	2,250,000,000
2450-2459	2,250,000,000	2,250,000,000
2460-2469	2,250,000,000	2,250,000,000
2470-2479	2,250,000,000	2,250,000,000
2480-2489	2,250,000,000	2,250,000,000
2490-2499	2,250,000,000	2,250,000,000
2500-2509	2,250,000,000	2,250,000,000
2510-2519	2,250,000,000	2,250,000,000
2520-2529	2,250,000,000	2,250,000,000
2530-2539	2,250,000,000	2,250,000,000
2540-2549	2,250,000,000	2,250,000,000
2550-2559	2,250,000,000	2,250,000,000
2560-2569	2,250,000,000	2,250,000,000
2570-2579	2,250,000,000	2,250,000,000
2580-2589	2,250,000,000	2,250,000,000
2590-2599	2,250,000,000	2,250,000,000
2600-2609	2,250,000,000	2,250,000,000
2610-2619	2,250,000,000	2,250,000,000
2620-2629	2,250,000,000	2,250,000,000
2630-2639	2,250,000,000	2,250,000,000
2640-2649	2,250,000,000	2,250,000,000
2650-2659	2,250,000,000	2,250,000,000
2660-2669	2,250,000,000	2,250,000,000
2670-2679	2,250,000,000	2,250,000,000
2680-2689	2,250,000,000	2,250,000,000
2690-2699	2,250,000,000	2,250,000,000
2700-2709	2,250,000,000	2,250,000,000
2710-2719	2,250,000,000	2,250,000,000
2720-2729	2,250,000,000	2,250,000,000
2730-2739	2,250,000,000	2,250,000,000
2740-2749	2,250,000,000	2,250,000,000
2750-2759	2,250,000,000	2,250,000,000
2760-2769	2,250,000,000	2,250,000,000
2770-2779	2,250,000,000	2,250,000,000
2780-2789	2,250,000,000	2,250,000,000
2790-2799	2,250,000,000	2,250,000,000
2800-2809	2,250,000,000	2,250,000,000
2810-2819	2,250,000,000	2,250,000,000
2820-2829	2,250,000,000	2,250,000,000
2830-2839	2,250,000,000	2,250,000,000
2840-2849	2,250,000,000	2,250,000,000
2850-2859	2,250,000,000	2,250,000,000
2860-2869	2,250,000,000	2,250,000,000
2870-2879	2,250,000,000	2,250,000,000
2880-2889	2,250,000,000	2,250,000,000
2890-2899	2,250,000,000	2,250,000,000
2900-2909	2,250,000,000	2,250,000,000
2910-2919	2,250,000,000	2,250,000,000
2920-2929	2,250,000,000	2,250,000,000
2930-2939	2,250,000,000	2,250,000,000
2940-2949	2,250,000,000	2,250,000,000
2950-2959	2,250,000,000	2,250,000,000
2960-2969	2,250,000,000	2,250,000,000
2970-2979	2,250,000,000	2,250,000,000
2980-2989	2,250,000,000	2,250,000,000
2990-2999	2,250,000,000	2,250,000,000
3000-3009	2,250,000,000	2,250,000,000
3010-3019	2,250,000,000	2,250,000,000
3020-3029	2,250,000,000	2,250,000,000
3030-3039	2,250,000,000	2,250,000,000
3040-3049	2,250,000,000	2,250,000,000
3050-3059	2,250,000,000	2,250,000,000
3060-3069	2,250,000,000	2,250,000,000
3070-3079	2,250,000,000	2,250,000,000
3080-3089	2,250,000,000	2,250,000,000
3090-3099	2,250,000,000	2,250,000,000
3100-3109	2,250,000,000	2,250,000,000
3110-3119	2,250,000,000	2,250,000,000
3120-3129	2,250,000,000	2,250,000,000
3130-3139	2,250,000,000	2,250,000,000
3140-3149	2,250,000,000	2,250,000,000
3150-3159	2,250,000,000	2,250,000,000
3160-3169	2,250,000,000	2,250,000,000
3170-3179	2,250,000,000	2,250,000,000
3180-3189	2,250,000,000	2,250,000,000
3190-3199	2,250,000,000	2,250,000,000
3200-3209	2,250,000,000	2,250,000,000
3210-3219	2,250,000,000	2,250,000,000
3220-3229	2,250,000,000	2,250,000,000
3230-3239	2,250,000,000	2,250,000,000
3240-3249	2,250,000,000	2,250,000,000
3250-3259	2,250,000,000	2,250,000,000
3260-3269	2,250,000,000	2,250,000,000
3270-3279	2,250,000,000	2,250,000,000
3280-3289	2,250,000,000	2,250,000,000
3290-3299	2,250,000,000	2,250,000,000
3300-3309	2,250,000,000	2,250,000,000
3310-3319	2,250,000,000	2,250,000,000
3320-3329	2,250,000,000	2,250,000,000
3330-3339	2,250,000,000	2,250,000,000
3340-3349	2,250,000,000	2,250,000,000
3350-3359	2,250,000,000	2,250,000,000
3360-3369	2,250,000,000	2,250,000,000
3370-3379	2,250,000,000	2,250,000,000
3380-3389	2,250,000,000	2,250,000,000
3390-3399	2,250,000,000	2,250,000,000
3400-3409	2,250,000,000	2,250,000,000
3410-3419	2,250,000,000	2,250,000,000
3420-3429	2,250,000,000	2,250,000,000
3430-3439	2,250,000,000	2,250,000,000
3440-3449	2,250,000,000	2,250,000,000
3450-3459	2,250,000,000	2,250,000,000
3460-3469	2,250,000,000	2,250,000,000
3470-3479	2,250,000,000	2,250,000,000
3480-3489	2,250,000,000	2,250,000,000
3490-3499	2,250,000,000	2,250,000,000
3500-3509	2,250,000,000	2,250,000,000
3510-3519	2,250,000,000	2,250,000,000
3520-3529	2,250,000,000	2,250,000,000
3530-3539	2,250,000,000	2,250,000,000
3540-3549	2,250,000,000	2,250,000,000
3550-3559	2,250,000,000	2,250,000,000
3560-3569	2,250,000,000	2,250,000,000
3570-3579	2,250,000,000	2,250,000,000
3580-3589	2,250,000,000	2,250,000,000
3590-3599	2,250,000,000	2,250,000,000
3600-3609	2,250,000,000	2,250,000,000
3610-3619	2,250,000,000	2,250,000,000
3620-3629	2,250,000,000	2,250,000,000
3630-3639	2,250,000,000	2,250,000,000
3640-3649	2,250,000,000	2,250,000,000
3650-3659	2,250,000,000	2,250,000,000
3660-3669	2,250,000,000	2,250,000,000
3670-3679	2,250,000,000	2,250,000,000
3680-3689	2,250,000,000	2,250,000,000
3690-3699	2,250,000,000	2,250,000,000
3700-3709	2,250,000,000	2,250,000,000
3710-3719	2,250,000,000	2,250,000,000
3720-3729	2,250,000,000	2,250,000,000
3730-3739	2,250,000,000	2,250,000,000
3740-3749	2,250,000,000	2,250,000,000
3750-3759	2,250,000,000	2,250,000,000
3760-3769	2,250,000,000	2,250,000,000
3770-3779	2,250,000,000	2,250,000,000
3780-3789	2,250,000,000	2,250,000,000
3790-3799	2,250,000,000	2,250,000,000
3800-3809	2,250,000,000	2,250,000,000
3810-3819	2,250,000,000	2,250,000,000
3820-3829	2,250,000,000	2,250,000,000
3830-3839	2,250,000,000	2,250,000,000
3840-3849	2,250,000,000	2,250,000,000
3850-3859	2,250,000,000	2,250,000,000
3860-3869	2,250,000,000	2,250,000,000
3870-3879	2,250,000,000	2,250,000,000
3880-3889	2,250,000,000	2,250,000,000
3890-3899	2,250,000,000	2,250,000,000
3900-3909	2,250,000,000	2,250,000,000
3910-3919	2,250,000,000	2,250,000,000
3920-3929	2,250,000,000	2,250,000,000
3930-3939	2,250,000,000	2,250,000,000
3940-3949	2,250,000,000	2,250,000,000
3950-3959	2,250,000,000	2,250,000,000
3960-3969	2,250,000,000	2,250,000,000
3970-3979	2,250,000,000	2,250,000,000
3980-3989	2,250,000,000	2,250,000,000
3990-3999	2,250,000,000	2,250,000,000
4000-4009	2,250,000,000	2,250,000,000
4010-4019	2,250,000,000	2,250,000,000
4020-4029	2,250,000,000	2,250,000,000
4030-4039	2,250,000,000	2,250,000,000
4040-4049	2,250,000,000	2,250,000,000
4050-4059	2,250,000,000	2,250,000,000
4060-4069	2,250,000,000	2,250,000,000
4070-4079	2,250,000,000	2,250,000,000
4080-4089	2,250,000,000	2,250,000,000
4090-4099	2,250,000,000	2,250,000,000
4100-4109	2,250,000,000	2,250,000,000
4110-4119	2,250,000,000	2,250,000,000
4120-4129	2,250,000,000	2,250,000,000

INDIVIDUAL VIEWS OF MR. LAUSCHE

We are again confronted with an administration request to extend the annual \$100 million shipbuilding subsidy for another year which renews the limit of 55 percent for the construction of new merchant ships and a 60-percent limit for the reconversion of certain passenger vessels. This subsidy represents the difference between the world market price and the price of constructing the same ship in American shipyards.

The current subsidy program of cost parity was provided by the Merchant Marine Act of 1936 in order to maintain an efficient, sound, and competitive merchant marine. However, since that time, this program for competitive survival has cost the U.S. taxpayer over \$740 million for just the construction and reconstruction subsidies.

I would like to submit for the careful consideration of my colleagues the following figures showing the yearly amounts which have been paid to the merchant marine industry under the construction and reconstruction differential subsidy programs:

	Construction differential subsidies	Reconstruction differential subsidies
From inception to June 30, 1953.....	\$131,571,571	-----
Fiscal year 1954.....	5,538,417	-----
Fiscal year 1955.....	5,358,663	\$342,058
Fiscal year 1956.....	1,613,737	14,368,668
Fiscal year 1957.....	16,379,075	1,117,694
Fiscal year 1958.....	22,637,540	4,731,608
Fiscal year 1959.....	21,761,846	7,065,416
Fiscal year 1960.....	69,156,794	4,828,227
Fiscal year 1961.....	102,118,519	657,379
Fiscal year 1962.....	136,858,263	3,906,765
Fiscal year 1963.....	97,715,325	3,550,308
Fiscal year 1964.....	79,987,066	2,349,230
Total.....	690,614,518	49,443,338

However, despite these heavy subsidy payments from the U.S. Treasury, this country has been lagging behind in world trade for many years—even though we are the world's largest trading nation. Fifteen percent of the world's exports and imports are supplied by this country; 99 percent of which go by ship. Ten years ago, U.S. ships carried more than 40 percent of this trade, but today we rely upon other maritime nations to carry over 90 percent of it.

Even with a continued increase in Federal expenditures, our merchant marine industry continues to decline. In this connection, the most significant index to show the competitive position of the United States, and whether our position has grown better or worse, can best be illustrated by the ship construction differential rates established by the Maritime Subsidy Board on cargo ships during the past several years. This chart will illustrate the disparity which exists between the foreign and U.S. shipbuilding costs and that it is continually widening.

The following table indicates calendar years during which subsidized ship construction contracts were awarded and the average subsidy rate applied to all ship construction contracts awarded during that corresponding year:

	<i>Average CDS for ships awarded in that year (percent)</i>
1951.....	41. 47
1952-56.....	(¹)
1957.....	46. 1
1958.....	48. 1
1959.....	49. 1
1960.....	49. 7
1961.....	49. 4
1962.....	50. 1
1963.....	53. 3
1964.....	53. 5

¹ No subsidized cargo ship construction.

Our shipbuilding prices are continuing to rise at a faster rate than foreign prices so that the price differentials will shortly exceed the present proposed limits.

During the course of the hearings on H.R. 4346, the Maritime Administration pointed out that " * * * it costs the American shipyard more for the parts alone than it costs the foreign shipyards to deliver a finished ship."

However, material alone is not responsible for this situation. The continued rise in labor costs and the increasing disparity between the United States and foreign hourly wages should concern all of us. For example, the typical hourly pay for a first-class shipyard mechanic in the United States is approximately \$2.95 as compared to \$1.43 in Sweden; 95 cents in England; 47 cents in Italy; and 40 cents in Japan.

I am opposed to the further extension of this 55- and 60-percent authority because it is my firm conviction that it provides an extra incentive to interested parties to press for the highest differential percentages obtainable.

I believe the Federal Government should establish a limit in which it will participate to retain a strong and economic merchant marine. This limit should not exceed the 50-percent ceiling as established in the original Merchant Marine Act of 1936 and serious efforts should be made to reduce the subsidies further.

Shipping costs—and especially shipbuilding costs—in the United States have risen to where they are positive threats to the future of U.S. shipping.

It is my conviction that if the basic 50-percent construction subsidy is not enough for commercial shipbuilding, we should seriously reevaluate whether the taxpayers can afford or need such a shipyard subsidy program.

FRANK J. LAUSCHE.



The following table shows the percentage of the total population of the United States which is employed in the various occupations in the various States and the District of Columbia, for the year 1930.

State or District	1930	1920	1910	1900	1890	1880	1870	1860	1850
Alabama	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Alaska	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Arizona	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Arkansas	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
California	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Colorado	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Connecticut	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Delaware	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
District of Columbia	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Florida	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Georgia	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Idaho	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Illinois	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Indiana	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Iowa	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Kansas	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Kentucky	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Louisiana	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Maine	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Maryland	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Massachusetts	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Michigan	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Minnesota	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Mississippi	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Missouri	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Montana	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Nebraska	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Nevada	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
New Hampshire	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
New Jersey	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
New Mexico	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
New York	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
North Carolina	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
North Dakota	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Ohio	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Oklahoma	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Oregon	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Pennsylvania	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Rhode Island	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
South Carolina	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
South Dakota	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Tennessee	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Texas	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Vermont	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Virginia	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Washington	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
West Virginia	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Wisconsin	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Wyoming	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1

One thing is certain, the percentage of the total population of the United States which is employed in the various occupations in the various States and the District of Columbia, for the year 1930, is not very different from the percentage for the year 1920. The percentage for the year 1910 is also not very different from the percentage for the year 1920. The percentage for the year 1900 is also not very different from the percentage for the year 1920. The percentage for the year 1890 is also not very different from the percentage for the year 1920. The percentage for the year 1880 is also not very different from the percentage for the year 1920. The percentage for the year 1870 is also not very different from the percentage for the year 1920. The percentage for the year 1860 is also not very different from the percentage for the year 1920. The percentage for the year 1850 is also not very different from the percentage for the year 1920.